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Marketpower: Top 10 departments
MarkeTrends consumer research

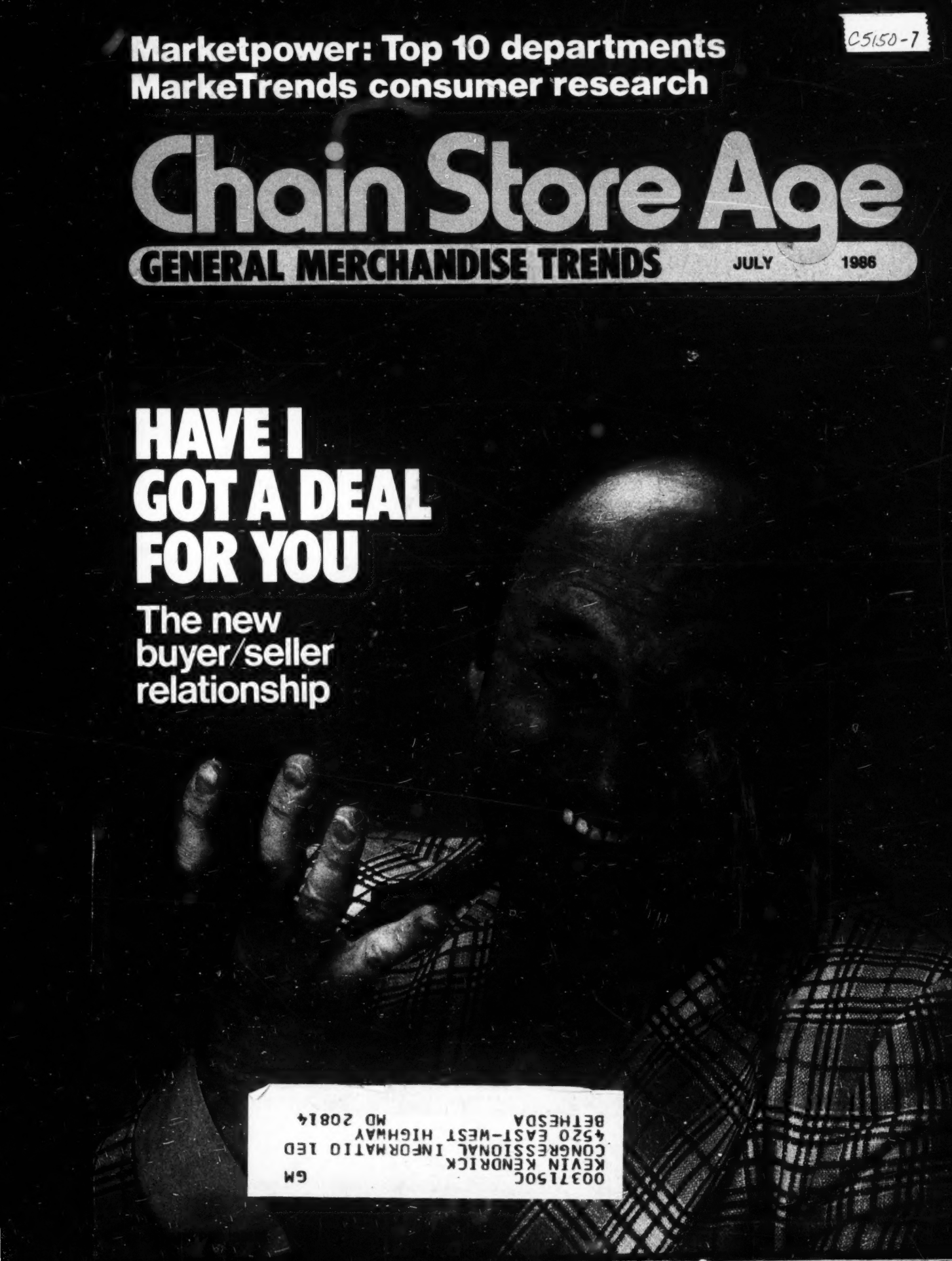
Chain Store Age

GENERAL MERCHANDISE TRENDS

JULY 1986

HAVE I GOT A DEAL FOR YOU

The new buyer/seller relationship



00371SOC GM
KEVIN KENDRICK
CONGRESSIONAL INFORMATIO IED
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

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BEHIND NET-NET TERMS LURK HIDDEN

FAVORS

That is what some retailers claim as they watch warehouse clubs get special vendor services—at no extra charge. Is the playing field level for the new retail game?

George Orwell would not have even lifted an eyebrow. In the retail *Animal Farm* where deals are made, all animals are equal.

But some animals are more equal than others.

That is what some retailers are saying. They claim that vendors carry two sets of price sheets—one for their store, another for the powerhouse outlet that opened up down the road.

Different prices for different retailers are nothing new. And they are perfectly legal. Under federal trade law, if a merchant allows a producer to "escape" a cost of doing business, then the merchant is entitled to a discount.

Big-volume orders, for instance, generally result in escaped costs. Which is why K mart can drive a harder bargain than the Ma-and-Pa Corner Store.

Trouble arises, however, if Ma-and-Pa cannot even get access to the terms offered K mart. "Producers have to make things available on the same terms to everybody," explains Winston S. Moore, assistant director of policy planning for the Federal Trade Commission.

But these days the retail community is buzzing about issues like these:

- Discounts for early payments, known as anticipation allowances, are offered to certain retailers who have not even asked for them. Yet other retailers who want anticipation must sniff out its availability.
- For years, vendors passed escapable costs on to retailers. If vendors agreed to accept returns of unsold merchandise, for example, they charged for the inconvenience. But now vendors are price-marking,

Vendors are happy to oblige warehouse clubs by prepricing and palletizing the merchandise.

palletizing and specially packaging merchandise without charge. However, they do not do it for everyone.

• When ordering items like potato chips, one class of trade can get the cheaper "institutional pack." Others must take the regular retail bag, to which the vendor tags a marketing overhead charge.

In all three cases, the retailer calling the shots was a warehouse club. And the vendor insisted that any other type of account could negotiate exactly the same deal.

If the vendors are right, then it is a wonder that no other trade classes have thought of doing it.

Or could it be that only warehouse clubs are in a position to do it?

The dozen or so clubs operating in 1985 rang up $4.4 billion in sales at a total of 114 warehouses. Sales per store are staggering, but the combined sum represents only a drop in the retail bucket.

Analysts forecast galloping growth, with some predicting annual sales of $20 billion by 1990. That, say some vendors, is why they are eager to oblige this market segment.

And the clubs are not always easily pleased. One of the four biggest players switched battery vendors when its source refused to premark merchandise with price codes.

Other vendors are happy to accommodate. Many insist that prepricing and palletizing are as easy as breathing. Foley Co., a cookware resource, cites club accounts as its fastest growing sales segment and "sells to everyone of them," says sales vp Gerald McWeeny.

To get club business, Foley puts merchandise on pallets, uses special cartons and applies item numbers to them. Each club, McWeeny says, has its own number system. Asked about the costs involved, the sales vp commented, "It's the cost of doing business."

Asked whether the cost is passed on to the club, McWeeny hesitated a moment. Then he said, "Cost is predicted on service." According to him, turns matter more to the clubs than cost anyway, "because they only mark up 10%."

That is not how the warehouse clubs tell it. At Seattle-based Costco, finance vp Richard Gallanti says that the clubs' tight margins (8% to 10%) leave little cushion. "If you can cut a per cent off the costs, it's very significant," observes Gallanti.

And Sherwin Deutchman, vp merchandising of Buyers Club says that special packaging for warehouse clubs does involve additional costs. "The vendor absorbs it," he says.

However, Deutchman, whose company also operates the Illinois-based Union Hall discount stores, believes that discounters can get the same deal. "The competition between the clubs and discounters is not great," he says.

Referring to the multipacks of toothpaste and deodorant that are common at warehouse clubs, Deutchman doubts that discount stores need them anyway. "The larger packages are sizes that the average consumer that shops the discount stores can't use," says the Buyers Club exec. "Except," he amended, "large families."

And large families also go to discount stores, leading a topsider at one Midwest discount chain to complain of the clubs, "They're soaking up the available dollars." As for special vendor treatment, this source sighs, "Since they're a big, explosive retail outlet, I can only assume that vendors are going to clamp on, and [the clubs] will get concessions that we cannot."

Anchor Hocking is a club-courting vendor, selling to all the big warehouse operations. Does palletizing cost money? "What doesn't?" laughs Anchor marketing vp Howard Bobroff, though he describes the costs as minimal.

"You have to look at the volume potential," says Bobroff. As he sees it, the key factor is the narrow assortments carried by clubs—about 4,000 sku's per warehouse. Some discounters have that many in just their housewares department.

"It's simple math," says Bobroff, pointing out that the average

warehouse is expected to pull in $50 million annually. That computes into big sales for each of the lucky 4,000 sku's.

Tight assortments have also enabled warehouse clubs to pay early, giving them access to "anticipation" discounts. Anticipation allowances have been around "forever," says Coopers & Lybrand retail specialist Robert Zimmerman, and, theoretically, they are available to everyone.

Black & Decker even has a special blank on its price sheets where customers can take a discount if they promise rapid payment. "We'll take anyone's money early," says B&D merchandising manager Maurice Hennerby.

But Hennerby concedes that warehouse clubs are the usual takers. They have "a unique opportunity," he says, citing their frequent turns and positive cash flow.

Another reason: anticipation can only be taken on an entire order, not for specific items only. Since the clubs normally order only one to four items from a single vendor—the hottest ones, likely to turn fastest—that is no problem.

"A mass merchant heavy with cash" could also want to take anticipation, says Hennerby. But that might mean paying within 10 days for half the vendor's line.

Moreover, not every vendor lists anticipation on its menu of terms. Cal Lambert, dmm of home furnishings at ZCMI, says his department store chain gets anticipation, but often it takes detective work. Lambert feels that it is part of a modern-day buyer's job to go sleuthing for such things.

"We get the same access to deals if we know about it," says the Salt Lake City-based merchandiser.

Lambert notes that anticipation is desirable only for fast-moving items. Dating—placing a whole season's order early and taking months to pay—is preferable for slower-moving goods. Both, he adds, are offered only for high-volume orders.

"There used to be terms on everything," laments Lambert. "Now it has deteriorated."

But vendors make deals easy for certain retailers to find. Sunbeam, for one, sometimes dangles anticipation before key accounts. It is done when "we need cash," explains sales and marketing vp Paul Saxton, who compares the practice to the arbitrage market for money.

While Saxton does not say that warehouse clubs are the only retailers approached, he does note that the clubs like to work on anticipation.

Saxton stresses that "anything we forgive on the price is on a cost-escapable basis." If anticipation results in a discount of 1% per month, it is because the average cost to Sunbeam of borrowing is 12% annually. The quick-paying customer gets a break roughly equal to the cost of money.

But Costco financial vp Gallanti says that Costco can sometimes get money from its bankers at below-average interest rates. In those cases, anticipation rates more than compensate Costco for footing finance charges.

Anticipation can be a sweet deal for vendors, too. Coopers & Lybrand's Zimmerman calls it "a short-term investment instrument." Who benefits? Says Zimmerman, "It depends who was squeezed and had to ask for it."

Warehouse clubs, in effect, can become a vendor's bank. That may be one more reason why they are favorite children. Their bare-bones, "institutional" look gives them favored status, too. Gallanti imagines other retailers turning green as they shop the clubs, noting the lower-priced institutionally packed dry foods on the shelves.

"We have to prove we are more institutional than other retailers," says Gallanti, who thinks some clubs are playing with fire by relaxing membership rules and laying down carpeting.

Strict membership requirements could also help stem anticompetition claims. "Legally, membership doesn't matter," says the FTC's Winston S. Moore, "but it does give them a way to say they're not soliciting your customer."

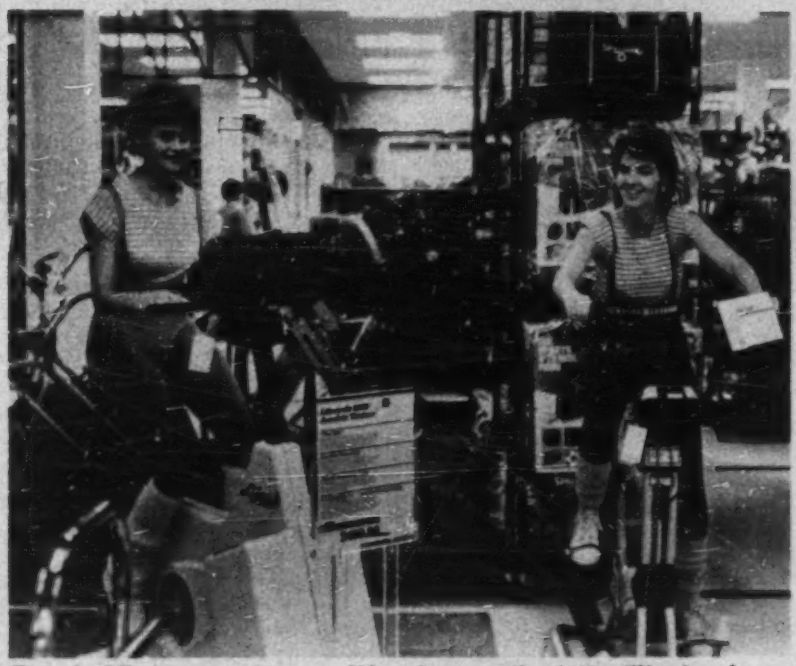
Moore adds that anti-trust laws assuring equal access to deals are no longer actively enforced. Indeed, the Reagan administration has proposed dismantling the FTC.

Clubs get the best deals "because we say, 'Just ship it.'" says Warehouse Club exec Samuel T. Gentles Jr.

Not quite, says the competition. □

—Marcia Biederman

***Clubs usually cherrypick one to four items** from vendors, those that turn fastest.*



Exercise bikes once again were solid products, posting $288 million in sales.

Sporting Goods: steady and solid

Retailers saw continued growth in cycles, and rowing machines . Reebok outperformed them all.

In a year of few great winners the sporting goods industry had an exceptional year. More consumers took interest in their well being, and opened their wallets to enhance their physiques.

The sporting goods industry saw an 88% increase in annual sales from last year, churned out principally by rowing machines, cycles, multi exercise machines and the galloping paces of Reebok footwear.

Since its U.S. introduction in 1983, Reebok International Ltd. has seen its wholesale sales rise dramatically from $12.8 million in 1983 to $66 million in 1984 and a phenomenal $307 million in 1985. According to Sharon Cohen, vp of advertising for the firm, the first quarter of 1986 has already produced $174 million in sales. If Reebok continues at that rate it should reap approximately $700 million in 1986, a large chunk of the overall industry. Those figures are not too bad for a company with its main thrust on a single product. Until introducing sportswear and accessories in spring '85, Reebok produced its stellar results with one line only.

Retailers are the beneficiaries of Reebok's fancy footwork. A Dayton Hudson spokesman says, "The Reebok footwear category was our biggest seller in 1985 and [the trend is] continuing through 1986." George Walker, director of sales promotions for Herman's World of Sporting Goods, a N.J.-based sporting goods specialist comments, "Reebok was the best producer."

What makes these merchants so happy is the Reebok's distribution system. The line is offered only to sporting goods specialty stores, who control approximately 80% of the market and department stores, which make up the balance. Reeboks are not yet available to mass merchants. But Cohen indicated that Reeboks may someday arrive on discounter's shelves.

The line includes roughly 30 different styles, for both sexes. Since some styles cross over the gender lines it was hard for Cohen to determine whether the product had a stronger appeal to men or women. And people apparently are not concerned with the price tag, usually retailing at an opening price point of $45. Nor does the price prevent them from buying multiple pairs. According to Cohen, "The average [Reebok] customer has between two and three pairs within the brand."

The style assortment is broad, ranging from the popular black basketball high top to the soft leather aerobic shoe. Bubble gum pink and banana yellow are important colors.

Reebok was not the only major manufacturer to see big profits in 1985. According to Sebastian Di Casoli, director of marketing services for the Sporting Goods Manufacturers Association, of the $28 billion spent on the category at retail in 1985, the big winners again this year were cycles, ringing up $288 million in sales, while multi exercise machines posted $232 million and rowing machines produced $207 million.

Di Casoli says he expects cycles to remain good sellers in 1986 and golf to make a bigger comeback each year as yuppies approach the golfing enthusiast age of 45-50. □

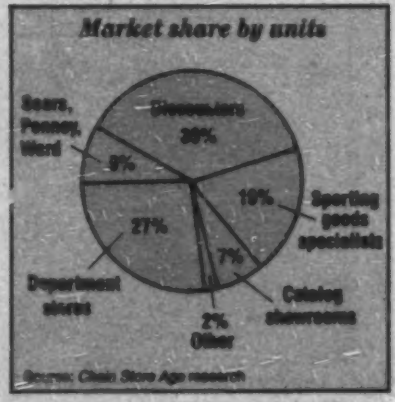
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$70	$80	$110-13
Annual turnover	1.8	3.2	2.8
Gross margin	39.8%	33.5%	28

Source: *Chain Store Age* research

Growth areas

- Reebok shoes
- Rowing machines
- Golf



Taking heat from imported cookware, domestic products saw sales fall 12%.

Nonelectrics struggle through '85

Retailers tried everything from imports to new products and still the industry only saw a 2% rise.

Trouble struck the nonelectrics housewares category last year. Sales climbed a mere 2% from 1985 levels, and turns and sales per square foot declined for many retailers.

"Nothing was superhot in cookware," says Pamida buyer Jim Redberg. Other chains agree.

Pointing an accusatory figure at the strong dollar, the Cookware Manufacturers Association reports at 12% drop in industry sales of domestic products. Made-in-the-U.S.A. metal cookware and bakeware sold for $1.2 billion at retail in 1985, down from $1.3 billion a year earlier.

Revere Ware, whose parent company emerged from Chapter 11 bankruptcy last July, has begun importing cookware parts from Korea. Still searching for the formula that will revive its pots and pans, Revere is adding an aluminum-bottom line.

"The aluminum bottom is perceived as better," says Ken Duncan, sales vp for Revere, which will continue marketing the copper-bottom cookware it premiered in 1939. In those days, Revere Ware did not have to buck a half dozen foreign competitors.

Retailers themselves are the principal importers of low and moderately priced cookware. But they are not thrilled with consumer response.

High-end products performed better for one West Coast department store chain. "It's less affected by price fluctuations," explains a buyer. "If people are going to buy Calphalon, they buy it whether it's on sale or not." His stores also did well with Cuisinarts.

Other department stores credit "defined distribution" for good results in gourmet cookware. When a store can say that Pro Chef or Cuisinware is "ours alone" within a market, sales rise.

The outlook for microwave cookware is good. Pamida names Republic Molding's popcorn maker as a 1985 top seller. Plastic/fiberglass entrants are expected to do well this year, especially bacon racks, partitioned dishes and soup mugs—products well suited for microwave warm-up uses.

For more elaborate microwave uses, some merchandisers prefer traditional cookware such as Corningware." It's more versatile," notes a buyer.

Mikasa tabletop was a top-grosser for department stores. "We had a big success with Studio Nova," reports Marshall Field dmm Ray Berger. A California retailer also singled out the fashion-forward tabletop line for mention.

Some buyers are betting that Savoir Vivre, another department store Mikasa line, will repeat the success. Others are wary of its open-stock format.

The thermal carafe's heyday has ended. A Midwest discounter did well with the Thermos Coffee Butler. But other merchandisers pronounce the carafe dead.

Sears' biggest hits were Corning's Visions Cookware and its private-label aluminum-care cookware with glass lids. In general, cookware did well for Sears, according to a spokesman. The retailing giant has been conducting in-store promos of Woodwind, its own gourmet nonstick cookware.

DuPont's Supra nonstick coating has impressed few retailers to date.

Barware could emerge now that fashionable acrylics have arrived. □

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Annual turnover	1.7	2.3	3.8

Source: *Chain Store Age* research

Growth areas

- Microwave cookware
- Mikasa tabletop
- Barware and party ware (seasonal)

Electrics charged up sales

With an 18% increase in electric housewares sales, many retailers were smiling at year's end.

Innovation and Eurostyling helped perk up sales in many electric categories.

A surge ripped through electronics last year. Sales climbed 18% to $20.4 billion, and productivity improved.

Margins rose for both discounters and department stores. Turns increased while vendors held the line on prices. Only 23% of domestic manufacturers raised their prices in 1985, according to the National Housewares Manufacturers Association. Half plan no increases in 1986.

It was the year of the microwave oven. A record 10.9 million were shipped last year, with compacts accounting for 40%. Analysts predict only a 1% decline for '86.

In just the first five months of this year, the Emerson 0.4 cu. ft. microwave reaped $1 million for Heck's. Retailing at an everyday price of $99, it heated up the cash registers last year for the West Virginia-based discount chain.

Full-size food processors stopped growing in 1985, though one California department store did well with the Cuisinart. Elsewhere, the star was Sunbeam's Oskar. As other compact food processors hit the shelves, that segment is likely to thrive.

Innovative and Eurostyled electrics sparked sales at department stores. One West Coast chain reports success with "many brands" of shower radios and the Donvier ice cream maker. At Marshall Field, Salton's Wet Tunes jazzed up housewares.

But the factor helping Field's most was a small investment in under-the-cabinet and a big statement in Eurostyle, says dmm Ray Berger. Krups and Braun coffeemakers were hits.

As Eurostyle irons and toasters join the ADCs, department stores may again cash in on the look. Some buyers began this year griping about supply problems with Rowenta toasters. A new marketing organization could provide the remedy.

The popular Simac iron has also switched marketers. Field's did well last year with the Italian high-end iron, retailing it between $100 and $125.

Some discounters have high hopes for Eurostyled mass products, such as the face-lifted Mr. Coffee and Norelco ADC's. Danner's buyer Mark Lecklider thinks they will spark interest in a category long dominated by "dinosaurs."

But a merchandiser at another Midwest discount chain sees rebates as key. Last year, he moved 2,500 Sunbeam 11-in. skillets in one month. "That's substantial," he says, crediting a $6 rebate.

Those comments come at a time when Norelco is moving to eliminate rebates. It remains to be seen whether the professed antirebate retailers will support Norelco.

Irons did well at Sears and elsewhere. "Smartness" and vendor ads livened up the category.

Several sources mentioned Sunbeam's cordless line as an outstanding performer. But cordlessness did not appear to fulfill all the extravagant predictions for it.

On the other hand, a "sleeper" product leaped onto center stage. Consumers showed up in stores demanding electric juicers. Some retailers trace interest to the best-selling book, *Fit for Life*, which insists on home juicing and recommends Oster and Panasonic brands.

Travel items, especially the Franzus line, moved briskly last year. Retailers report good movement in early '86 also, despite fears of traveling abroad.

Electronic scales should take wings, especially as price points tumble. *Chain Store Age* research shows consumers ready to snap them up. □

Productivity breakdown

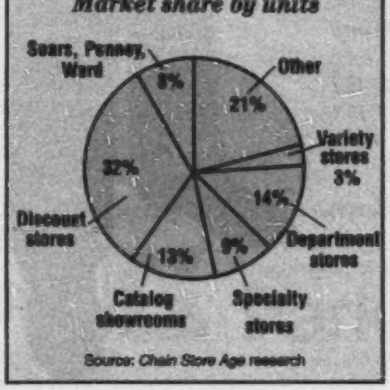
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$196.6	$185	$189
Annual turnover	2.8	3.4	3.7
Gross margin	22.1%	22%	23.9%

Source: *Chain Store Age* research

Growth areas

- Compact food processors
- Eurostyled appliances
- Microwave ovens
- Irons

Market share by units



Source: *Chain Store Age* research

Stationery sees small gains

Not an exciting year in stationery as BTS spending drops, writing instruments and greeting cards rise.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
[illegible]	[illegible]	[illegible]	[illegible]
Annual turnover	2.7	3.3	3.06
[illegible]	[illegible]	[illegible]	[illegible]

Source: *Chain Store Age* research

Growth areas

- Record-keeping books
- Gift wrap
- Greeting cards

Gift giving has taken on a serious approach. Consumers no longer just put deep thought into the gift they buy, they also take the wrap they place around the gift seriously.

The Christmas season remains the strongest sales period for giftwrap with consumers making between one and four purchases.

The introduction of new styles, upgraded paper quality and innovative displays helped lure the customer to the fancy packaging and rang up big sales at the registers during the holiday season.

Back-to-school time is important to this category, but results last year were not encouraging. Total BTS spending in 1985 declined from the levels of previous years, with stationery netting its usual share (11%, compared to apparel's 57.2%). That translates into fewer dollars spent on the low-margin stationery basics that continue to dominate BTS purchases.

Desk accessories last year followed the route of consumer electronics and housewares products. Color was key. Staplers, desk pads, note pads and tape dispensers broke the gray-and-beige barrier, as fashion reached the desk. Some department stores welcomed the opportunity for multiple sales by merchandising items as color-coordinated sets.

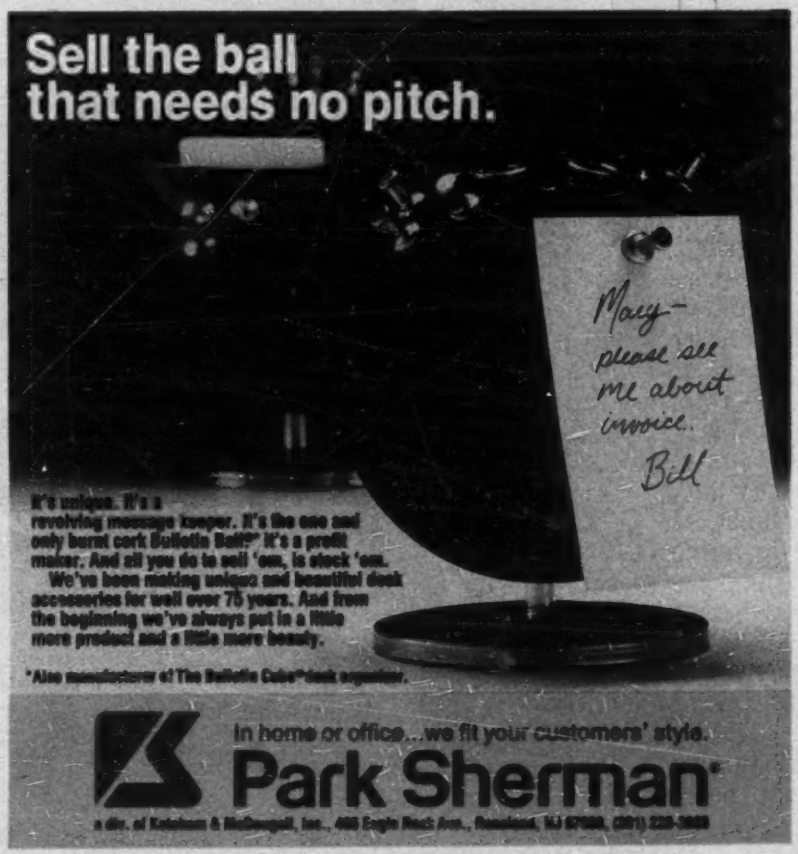
Fine writing instruments saw a sizable increase in sales this past year. Many retailers feel that the trend is a result of two factors. Trade-ups fuel sales as consumers start off with a moderately priced set and then upgrade ($50+).

The fiercest fighting for the stationer is on the greeting card battleground. Some new manufacturers have decided to enter the area where conservative vendors fear to tread. And are soundly trouncing them. The new entrants are forcing established companies to manufacture riskier lines in order to combat the loss of market share in this increasingly popular category.

American consumers are no longer afraid to send cards with messages that used to be reserved for whispered conversations.

According to a report by Kidder, Peabody and Co., as of July 1985 food stores continued to control the largest portion of the $575 billion retail greeting card market (46.6%), followed by department stores (24%), other stores (14.8%) and drug stores (8.3%). General merchandisers hefted 4.6% and 1.6% went to variety stores.

There is obviously more territory to be staked out by department stores and mass merchandisers. □


Sell the ball that needs no pitch.
Mary- please see me about invoice. Bill
In home or office...we fit your customers' style.
Park Sherman

SALES: $25.5 BILLION

Ready-to-assemble is ready to go

RTA furniture is the fastest growing segment of the home furnishings market. Now RTA may upgrade.

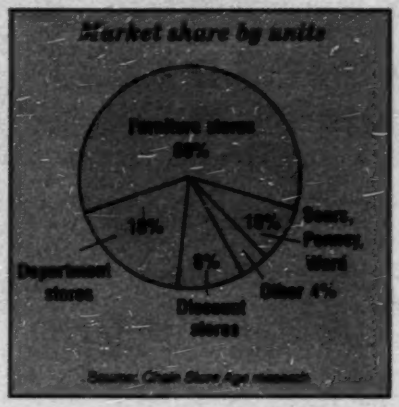
Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$71.40	$76.20	$94
Annual turnover	1.7	2.0	2.9
Gross margin	41.1%	35%	28.7%

Source: Chain Store Age research

Growth areas

- Entertainment centers
- Storage and wall units
- Microwave carts



Knock-down, ready-to-assemble furniture produced bang-up results at retail last year, ringing up $500 million. That is modest, compared to the $25 billion garnered by case goods. But in terms of growth, KD scored a KO.

While case goods grew only 9% over the previous year, RTA continued its rapid expansion. The complaint at the Southern Furniture Market Center is that consumers are forgoing upholstered furniture in favor of home electronics. RTA, on the other hand, has benefited from the audio-video craze.

Unassembled entertainment centers were the hottest RTA product last year at Caldor, according to a spokesman. That is also true for most other discounters. The microwave boom has also been a plus. "Microwave carts are still a very, very fine business," says Robert McCarthy, vp marketing for Gusdorf.

Bookcases and storage units were also strong RTA performers. Consumers are growing accustomed to greeting their new furniture with a screwdriver.

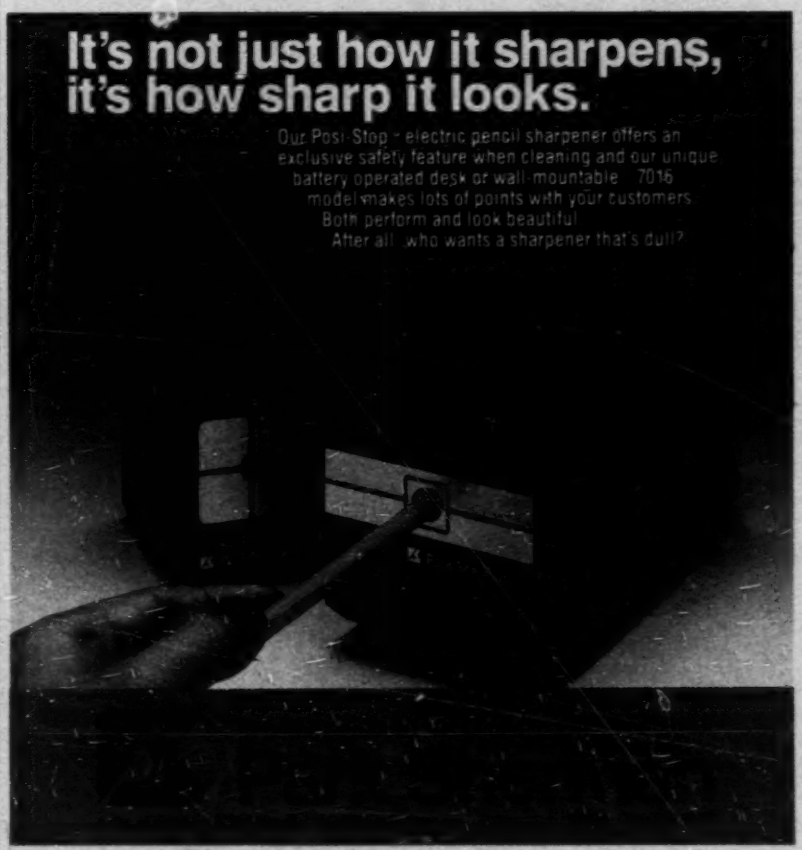
Currently, most of the volume is in low-end units, which dominate the mix at discount chains and home centers. But several makers of higher-end RTA are struggling to break out of furniture stores and into the mass market.

"In home centers, it's hard to sell quality," concedes Phil Malone, vp marketing for Singer Furniture. A small player in RTA, Singer hopes to open new distribution channels. The marketing vp notes some upgrading movement at certain home center chains and at warehouse clubs, which do a big business in office furniture.

Says Malone about Sam's Wholesale Clubs, "They're upgrading. Not everything that's in there is a vinyl piece of junk."

Better quality RTA has done well for specialty home furnishings stores, such as Conran's and IKEA. "We found that the same items that were best sellers here were also best sellers in our European stores," observes IKEA buyer Phran Novelli. Bookcases, bureaus and a juvenile multiunit moved best for the European retailer during its first year in the U.S.

Lamps are another home furnishings hot spot. Lloyd S. Howard, director of a New York lighting market center, notes a renaissance of the floor lamp, including the torchiere. High-tech lamps by Luxor and others flourish as home offices multiply. Howard sees table lamps with glass or crystal bases as the next growth area. Ginger-jar and pharmacy lamps are steady. □


It's not just how it sharpens, it's how sharp it looks.
Our Posi-Stop - electric pencil sharpener offers an exclusive safety feature when cleaning and our unique battery operated desk or wall-mountable 7016 model makes lots of points with your customers.
Both perform and look beautiful.
After all, who wants a sharpener that's dull?

New ideas for long or short hair

Hair treatments such as mousses, gels, liquid stylizers and temporary colors were big winners.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Annual turnover	3.2	3.8	3.5

Source: *Chain Store Age* research

Growth areas

- Hair treatment products
- Tartar control toothpaste
- Artificial nails

"Hair, glorious hair." Those must be the words retailers, especially discounters, are saying this year. It seems these days no one gets up, washes and dries their hair and runs.

Male and female consumers alike have to put something on their locks first, whether it be a mousse, styling gel, temporary color or liquid stylizer.

Consumers are concerned that their hair looks as good at 5 p.m. as it did at 8 a.m. And these products are the answer to their dilemma.

The newest addition to the hair treatment industry is temporary hair coloring—that which rinses out in the wash.

Introduced this year was Sassoon's Colorific, a 10-sku line of color mousses and a six-sku line of color gels with price points of $4.95 for the mousse and $3.98 for the gel. Another alternative product for hair coloring is Roux's Fanci-full Color Styling Mousse, a 12-sku line retailing at $4.95. Clairol's Pazazz is a four-sku line of color mousses or gels retailing for $3.49.

These products are targeted to the 18-35 female age group, hoping to lure these women to trendy hair colors, when they would not normally be considering hair coloring.

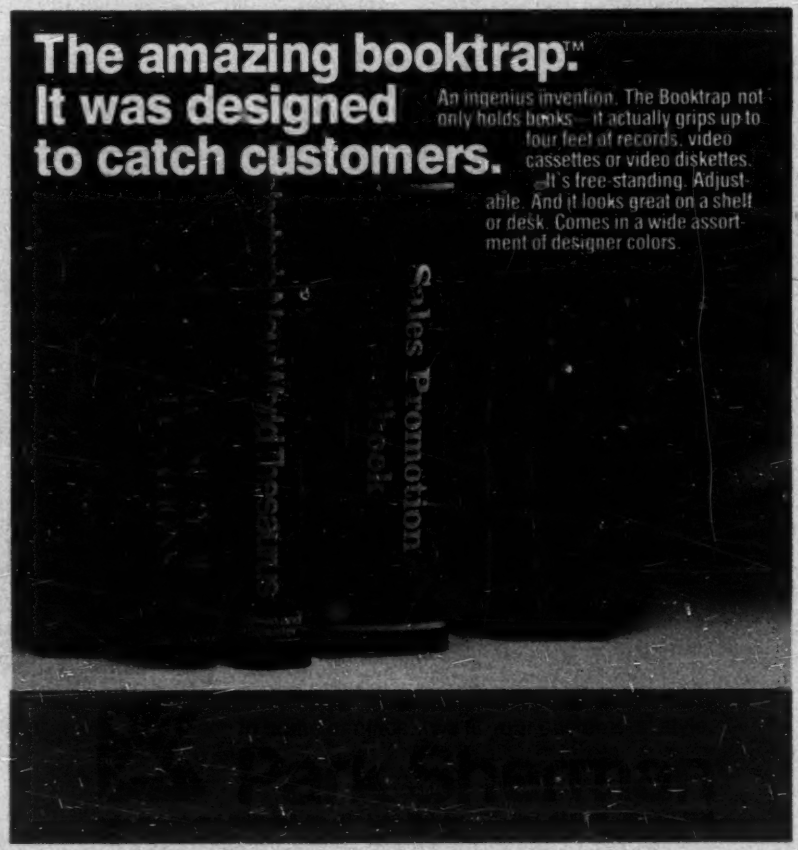
The styling gels and mousses appear to be appealing to a larger market, including both men and women, offering consumers a more subtle alternative to hair styling.

In the past, vendors as well as merchants had to rely on shampoo, setting lotions, hair sprays and permanent hair coloring product sales as the primary money producers for hair treatment.

With the introduction of the mousses, gels and colors, vendors have developed a multimillion dollar cash cow. However, as with most things, vendors are not certain how long this trend will last, but are basing their plans on optimistic projections.

Another strong category in the personal health care field was the introduction of tartar control toothpastes. Procter & Gamble introduced its long awaited tartar control "Crest in the silver tube." Bob Murray, director of corporate communications for Colgate-Palmolive says that "Crest has gained back some of its market share with [the] tartar [product] that it lost to us because of our pump."

As the fierce fighting among toothpaste manufacturers continues, Crest seems to be winning the battle, but Murray was quick to point out that "our ceo has stated that we will be in the tartar business." No date for Colgate's entry has been announced. □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It was designed to catch customers.
An ingenious invention. The Booktrap not only holds books—it actually grips up to four feet of records, video cassettes or video diskettes. It's free-standing. Adjustable. And it looks great on a shelf or desk. Comes in a wide assortment of designer colors.
Sales Promotion

SALES: $11.4 BILLION

***Autofocus SLR's are fast** on their way to becoming an industry standard.*

Cameras hot—margins cool

Vendor market share battles are still in full swing, but retailers doubt the departments profitability.

Technological innovation swept the $11.4 billion photo/camera industry last year, but despite all the bells and whistles, retail margins remained near suicidally low. The real action was in market share battles among vendors, while retailers once again questioned the department's profitability. The outlook for 1986—more of the same.

For all the fuss surrounding Minolta's introduction of Maxxum last year, the debut of autofocusing SLRs did not manage to grow the market for single lens reflex cameras. Sales of point and shoot 35mm cameras outpaced SLRs for the second straight year.

Though Maxxum boosted Minolta's SLR sales and brought its market share to within a nose of industry leader Canon, the net effect for retailers—who often promoted the camera at under $300—was only a further erosion in department gross margins.

Autofocus SLRs, however, are fast on their way to becoming an industry standard. In March of this year, Nikon debuted the N2020, its own Maxxum lookalike, and few will be surprised if Canon unveils an autofocus SLR entry before fall.

In the battle among vendors, Polaroid won at least one round earlier this year by driving Kodak out of the instant camera business. However, some industry pundits—including Kodak execs when they speak privately—say that Polaroid performed Kodak a favor.

Instant photography continues to slump. According to *Chain Store Age* MarkeTrends research, the number of consumers who say they expect to buy an instant camera is down nearly 80% over the last two years.

Not daunted by sagging sales for instant cameras, Polaroid has rekindled the market with this year's technologically advanced, upscaled—and pricey—Spectra system. Polaroid will have to work hard to revive flagging customer interest.

In addition, Polaroid will have to fight both consumer and retailer price expectations for instants. According to the *CSA* MarkeTrends poll, 75% of potential instant camera customers say they expect to pay less than $75 for an instant. Almost 40% say they will buy at a discount store, some of which are hesitant to carry a camera which seems to exceed their customer's pocketbook.

Polaroid, however, reports backorders for Spectra. What is not yet clear is whether the backorders are the result of consumer demand or reflect only manufacturing delays.

Technological advance will also hit print film this year, but the changes, in themselves, are once again unlikely to pump up either sales or margins. Kodak's new VR-G color print film, which promises richer color, has just hit stores, but will be met by a Fuji entry.

Color print 35mm film, meanwhile, should grow again this year. Increases will not be the result of changes in film technology, but rather to the growing popularity of 35mm lens shutter cameras. Last year 50% of all snapshots were recorded on 35mm film.

For general merchandise retailers, none of the technological wizardry holds much promise of returning profitable margins to the department. More of the market, especially for film and processing, moved into supermarkets last year. This year the food retailers ought to pick up still more.

General merchandise chains, though, continue to target on-site photo processing as a way out of their low margin dilemma. Still, it is unlikely that the move will significantly alter the department's loss leader image. □

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Annual turnover	1.9	3.7	4.1

Source: *Chain Store Age* research

Growth areas

- Autofocus SLRs
- On-site processing
- 35mm film

SALES: $12.7 BILLION

The beauty contest is heating up between Mattel's Barbie and Hasbro's JEM.

March of the Toy Soldier retreats

With a rise in sales of 5% and a decrease of 6% in units shipped, Toyland could be preparing for a fall.

Toyland is not a universally happy place to be these days. The Cabbage Patch is beginning to wilt, the game of picking winners is anything but a trivial pursuit, and the marriage of traditional and electronic does not guarantee a world of wonder.

The major problem is that the toy industry last year shipped 6% fewer units to retailers and that meant that the 5% increase in retail sales to $12.7 billion came mostly from higher price pointed merchandise.

An example can be seen in the plush category. Including electronic plush, the category suffered a 28% reduction in units shipped to 90 million pieces, according to NPD Group data supplied to the Toy Manufacturers of America. Nevertheless, the plush category experienced a 7.5% increase in dollar sales, based, in part, on Teddy Ruxpin's success at near $80 a bear.

This year plush again seems to be immune to price point fatigue. Aside from Teddy and his electronic cousins, the plush arena has been successfully invaded by Popples, Wrinkles and more Pound Puppies. In addition, Fisher-Price expects to ship about two million Puffalumps this year, a figure comparable to Mattel's Popples invasion.

Puffalumps are retailing for $19.97 to $22.97, price points higher than normal for plush but ones that have been successfully scaled by Popples. One key to their potential is Fisher-Price's belief that they can appeal to a market broader than infants and toddlers.

The doll category has become less frenzied, though two leaders are being challenged. Cabbage Patch is being attacked by Mattel's My Child. In turn, Mattel's Barbie is in a beauty contest with Hasbro's JEM.

The fast pace of action figures and robotics also have slackened.

With the demand for Trivial Pursuit sharply off, retailers are cautiously optimistic about the viability of other adult games. Most new entries have focused on some aspect of bluffing answers, or, as in the case of Scruples, requiring players to emotionally reveal themselves to other contestants. None, however, has caught the emotional sales surge Trivial Pursuit did.

Emotion, similarly, seems to have gone out of the licensing game. It is becoming increasingly hard for a license to last beyond a year or two, a victim of knockoffs and inadequate strategic marketing. Though licensed goods accounted for approximately 50% of all toy sales last year, their value as a retail favorite diminished. With their invasion of even the highly profitable plush area, licensing reached a stage where too much produced too little.

The overall effect has been that retailers have often missed sales because of low inventory on basics while some of the overinventoried areas have not sold. In several instances manufacturers could not meet inventory demands and sales were lost for hot items.

One area that appears ready to rebound is electronics. Be it Ohio Arts' Etch a Sketch Animator or Sega of America's new system, electronics is poised for at least a modest return to grace.

Overall, there was little variation in the distribution channels of toys. What is interesting to note is that discount stores do 31% of the sales dollar volume from 36% of all units sold, while toy supermarket chains command 19% of the dollar market from just 14% of the units sold. □

Productivity breakdown

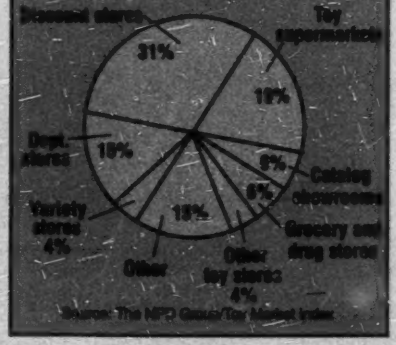
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$133	$99	$116
Annual turnover	2.8	2.9	3.7
Gross margin	33.6%	32.5%	28.1%

Source: *Chain Store Age* research

Growth areas

- Licensed plush
- Electronic games
- Electronic plush

Market share by dollars



Source: The NPD Group/Toy Market Index

Electronics to grow only 5%

With VCRs reaching 40% household penetration, retailers had better start looking for a new cash cow.

The success of the home electronics industry in the last two years has been the story of the video cassette recorder. In 1984 more than half the industry's growth came from the phenomenal success of the VCR, while in 1985 video cassette recorder sales were the lone factor which kept the industry from a downturn.

Though electronics sales at retail in 1986 should top $37 billion, up 5% from $35 billion last year, VCR sales will hold steady this year, creating enormous consequences.

With household penetration already approaching 40%, VCRs are rapidly nearing a short term saturation point. In innovator markets, most notably Los Angeles and New York, video cassette recorder sales are now reported below last year.

Manufacturers, many of whom are facing serious fallout from the strength of the Japanese yen, are confronting the unpleasant task of pushing through price increases in a softer market. They are also facing increased competition from each other.

Summer CES was marked by public sniping between Sony and JVC. For the first time in recent memory, RCA Consumer Electronics exec William E. Boss felt obligated to remind the convention that the electronics industry's true target was the consumer's dollar, and not other manufacturers.

No one is more aware of how tightly the consumer is squeezing his dollar than are retailers. After posting near record electronics sales in 1985, department store sales for home entertainment products are generally down 2%-5% this year.

Superstores, which have been the darling of Wall Street for the last two years, are faring little better. The Federated Group's comparable store results are down this year, and the chain has cut back once ambitious expansion plans to only 15 new units in 1986.

Circuit City's same-store sales are running about 6% ahead of last year's totals, but the figures benefit from the closing of marginally performing Zody's leased departments and New York Lafayette units.

The best bets for growth this year are stereo television, compact disc players, telephone answering devices and blank video tape. But it is unlikely that their growth will significantly outpace shortfalls in other product categories.

Stereo will keep the boom in color television alive. According to *Chain Store Age* MarkeTrends research, 47% of households are now reporting that their next color television will be stereo. The customer's fascination with stereo will push total color television sales up 1% in 1986 to a record $6.8 billion at retail.

Compact disc players will also continue their meteoric rise, with nearly two million units sold at retail in 1986. Rack systems will benefit from the increased action in audio, turning in a $2 billion year. Some of audio's flash, however, will be dimmed by sales drops for both portable audio tape equipment and home radios.

After years of slow growth, telephone answering devices will record their first $500 million year, but telephones themselves will slip about 10% in 1986.

Blank video tape dollar sales will increase about 14% this year, and more in unit sales, but continuing price promotion should keep profit gains only slightly above last year.

As the pace of electronics sales slows in 1986, overall softness could hinder some of the industry's growth categories. More than one vendor has expressed fears that retailers' reduced open-to-buys might be applied across the board. □

***With 1986 unit sales of nearly 2 million,** CD players remain strong performers.*

Productivity breakdown

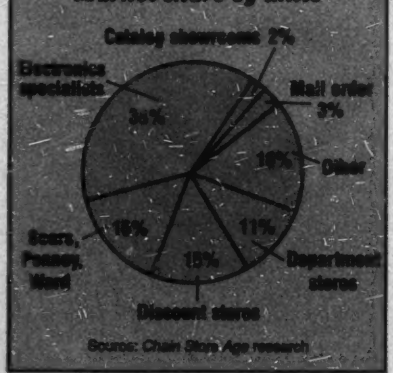
	Dept. stores	Big 3	Mass merch./ variety
Sales per square foot	$282	$483	$361
Annual turnover	3.1	2.7	2.8
Gross margin	34.1%	34.8%	35.9%

Source: *Chain Store Age* research

Growth areas

- Stereo televisions
- Compact disc players
- Blank video tape
- Telephone answering devices

Market share by units



Source: Chain Store Age research

SALES: $7.8 BILLION

Tough times for needle and thread

As the female workforce swells, sewing suppliers are courting students. Crafts battle with passive hobbies.

Sewing dipped 11% last year, continuing a five-year decline. Crafts managed to rise 6%. Arts, craft and model kits accounted for about $3.8 billion in 1985 sales receipts. Fabric, notions, patterns and sewing machine sales were $4 billion.

"Tennis and golf are our competition," says Barry Sussman, owner of two Vogue Fabric stores in the Chicago area. Sussman regards sewing as a leisure activity—not always the one chosen by women after a hard workday.

Margins held steady for department stores and discounters, but sales per square foot declined. The Big 3 have all but departed from both crafts and sewing.

Variety stores were once big guns in these categories, but now they are pulling back. M. H. Lamston Inc., a 31-store variety chain based in New York, carries only "a minimum" of craft items, says vp Marlene Roscoe. She predicts that all of Lamston's needlepoint kits will be gone by fall.

"Our customer is basically the working woman, and she doesn't have time," says Roscoe. Only repair items did well last year for her store: elastic, safety pins and a stick spot-remover.

Roscoe notes, however, that F. W. Woolworth continues to carry broad assortments.

Faced with adult women's declining interest, the sewing industry is trying to woo teens. The American Home Sewing Association recently won an award for its sewing-theme rock video, aired on MTV.

It could be a smart tactic. Nina Pemberton, a buyer for Vogue Fabrics (no connection with the pattern company) notes that the Madonna look was hot in patterns last year. A line by a company called Burda, including patterns for crop tops, short skirts, and slinky dresses, did well.

Serger sewing machines from several manufacturers continued to be popular. Retailing between $300 and $600, their overlock capability promises to sew a dress in 30 minutes.

"Prints are far and away the big explosive category," says an exec at a large fabric store chain. He cites rayon challis and Japanese polyesters as best-sellers. Those were also the big stories in ready-to-wear last year.

Crafts showed significant growth in the $1 billion needlework business. But gone is the energy crunch of the 1970's, when everyone attempted an afghan on big needles. Dedicated needleworkers now control the market.

Other crafts, such as tole (a type of decorative painting) grew in 1985. Wal-Mart appears to see possibilities there. Its sole Helen's Arts and Crafts store will soon be joined by others.

Model kits have a tough time competing with assembled toys, except with a hard core of diehard rail and aircraft fans. They are getting older.

Fastest movers for McCall's Pattern Co. in '85 were sportswear patterns, both coordinates and separate bottoms. Simplicity scored hits with a Halloween costume, kids' wear, and junior separates. □

As sewing interest declines, manufacturers are trying to woo teens.

Productivity breakdown

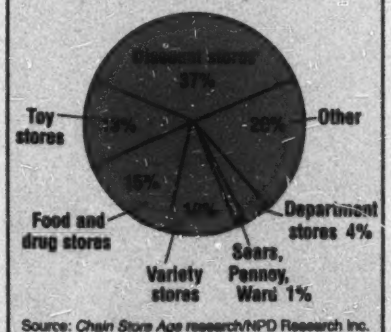
	Dept. stores	Big 3	Mass merch./ variety
Annual turnover	1.5	N/A	2.5

Source: *Chain Store Age* research

Growth areas

- Rayon and polyester print fabrics
- Needlework supplies
- Sportswear patterns

Market share by units



Source: *Chain Store Age* research/NPD Research Inc.

Sales: $19.5 BILLION

Price promotion and low consumer interest forced the decline of towel sales.

Home textiles lukewarm year

After a slow start, domestics sales warmed up. Accessories and throws were strong performers.

After a sluggish start in 1985, home textiles built up some respectable speed. Sales at retail increased 7% over the previous year, as some once-peripheral products breathed life into the category.

The basics—sheets and towels—continued to be problematic. In sheets, natural fibers and high thread counts prodded sales forward by a mere 2%. Much of the business went to discounters, many of which made strong statements in naturals.

Licensed designs did little for department store sheet sales. "It was not a good year for designers," says one merchandiser.

Towels were plagued by low consumer interest and fierce price promotion. Their sales volume declined slightly. Embellishments could whip up activity this year. "There is emerging growth in embellished towels. It started in '85 and is even stronger in '86," observed James Berutti, dvp at F. & R. Lazarus Co.

Best products for Sears last year were kitchen towels and dish cloths. Table linens also performed well, but ran a distant second to the kitchen textiles.

Productivity breakdown

	Dept. stores	Big 3	Mass merch./ variety
Annual turnover	1.9	2.3	2.5

Source: *Chain Store Age* research

Growth areas

- Comforter/ ham/ruffle coordinates
- Throw blankets
- Bath and area rugs
- "Therapeutic" pillows and mattress pads

Thermal cotton blankets grew, especially for discount chains and mass merchandisers. All-wools performed well, and their high price points kept them mainly in department stores.

Electric blankets took off, and new thermostatless entrants are expected to draw in a new generation of customers.

But the biggest story in blankets was throws. Abraham & Straus had a good Christmas season with them, and they were the No. 1 home textile product of 1985 for Lazarus. Plaids and animal patterns did especially well, says Berutti, who cites Fairbo and Biederlack as strong brands.

Dhurrie area rugs rang cash register bells last year, particularly in pastels. Bath rugs won more shelf space in many stores, with some department store chains devoting fixtures exclusively to Regal's Juliet shags.

Comforters and sheet coordinates—shams and bed ruffles—brought better results than sheets. That was true for moderate-to-better coordinates at A&S, where vp Yewdell says sheets were "good" but coordinates grew more.

Waterbeds are selling at a fast clip again, and not just to motorcycle riders. Clean-cut customers are buying them and looking for upscale bed linens. Vendors have responded with new products. It could be a growth area this year.

Down comforters did well at price points beginning at $99 at some discount stores, and ranging up to $500-plus. The low-end products were born of new designs that accommodate less fill. Moderately priced Chinese imports were another factor.

Comfort bedding items, such as posture pillows and foam mattress toppers, are an emerging category. Wool mattress pads did well for some department stores. Shaped pillows outstripped regular pillows' growth.

As the mega-mills finally enter the comfort business it should gain momentum. Makers of cloth mattress pads are expected to add filling in order to cash in on consumer interest in sleep aids.

New stitchless techniques are predicted to enhance cloth mattress pads, such as BedSack, which were strong performers in '85. □

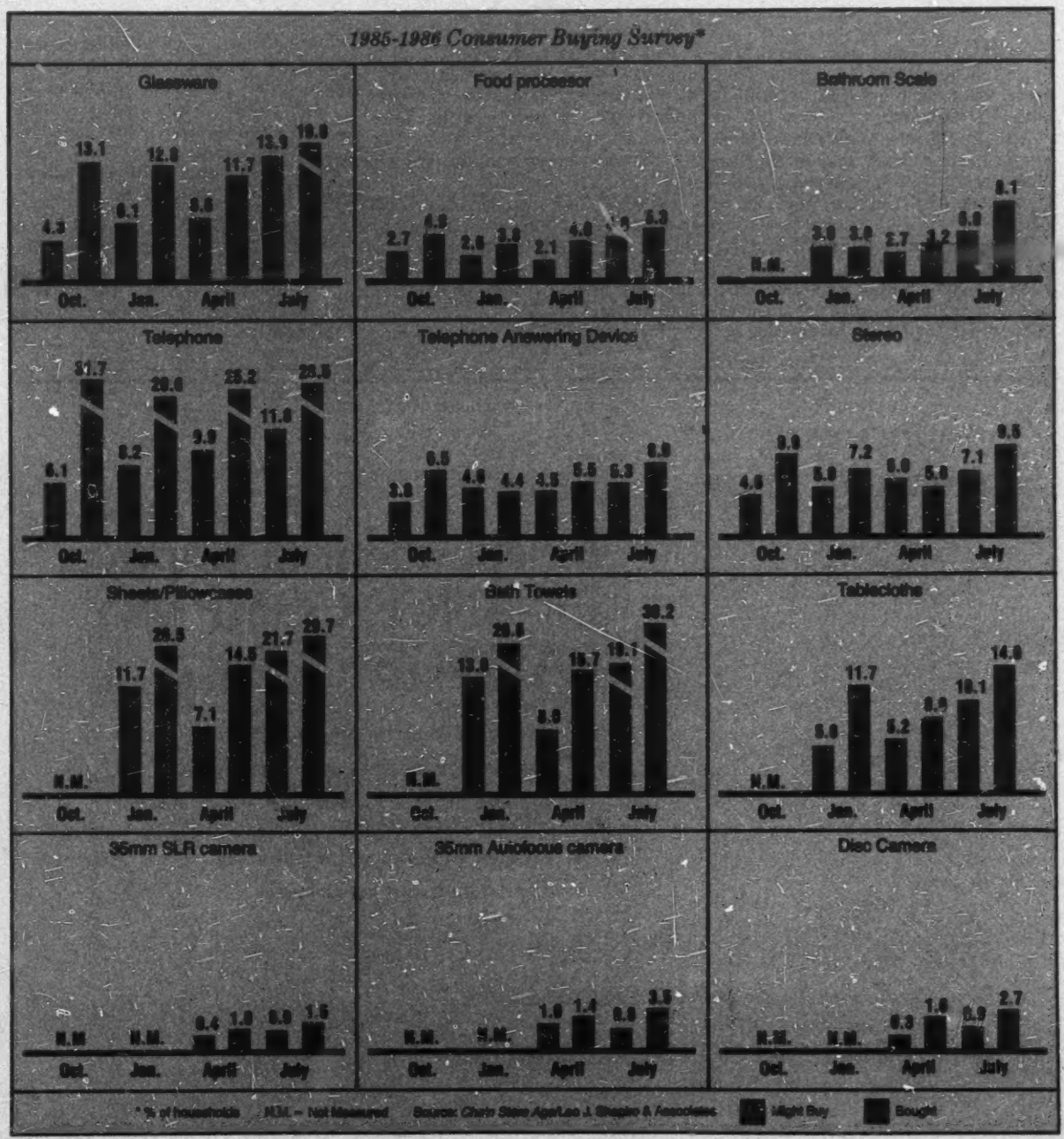
Spending poised for growth

Though retail sales are anything but robust, signs that consumers are beginning to relax their hold on their purse strings abound. *Chain Store Age* MarkeTrends found ample evidence to suggest that the second half of the year may indeed be full of consumer spending.

For 11 of 13 categories studied consumer intentions to buy are at their highest level in a year or close to it.

In housewares, glassware and bathroom scales recorded their highest buying intentions, while food processors, at 4.8% of all households polled, dipped from last month's 5.4% high but still came in substantially ahead of the level found in the last year.

Retailers found good sell-through of smaller food processors, Oskar and his knockoffs. The food processor category appears to be circling back to strong sales. Last October, 4.9% of all households polled in the nationally projectable sample said they bought a food processor in the last 12 months. After dipping to 3.8% in January, sales have bounced back to 5.3% of all households reporting in the current survey.



Glassware has experienced remarkable gains, posting high buying intentions.

Bathroom scales and glassware experienced remarkable gains. The scale business more than doubled since last October.

Though intentions to buy a telephone have steadily inched up the chart, actual purchases have not attained the same level as last October.

Telephone answering devices, meanwhile, continue to surge ahead. A strong 8% of all households said they bought one during the last year, with expectations to buy at 5.3%, the best score ever found in the survey's 19 month history. Moreover, with major vendors poised to offer advanced machines at prices significantly below $100, the market should remain plugged in

Stereos, too, are at their best score in a year. Perhaps boosted by the compact disc player, stereo sales have rebounded soundly from the dip they went through in January and April.

Home textiles are enjoying enormous appeal.

Intentions to buy and actual purchases are at record levels for the seven months of the *CSA* MarkeTrends survey covering home textiles. Particularly noteworthy is the increased purchase expectations for sheets and pillowcases.

Camera sales, too, are clicking. Fifty per cent more households said they bought a 35mm SLR camera in the current survey compared to April. Intentions to buy more than doubled.

The autofocus version of the 35mm camera showed an unexpected falloff in intentions to buy of 20%, but actual purchases increased by 150%. With many new cameras ready to compete with Minolta's original Maxxum, there is little doubt that 35mm autofocus will remain on a growth track.

Even disc cameras picked up from the earlier surveys. Perhaps summer vacations had something to do with that, but overall, the pattern showed consumer spending gaining momentum. □

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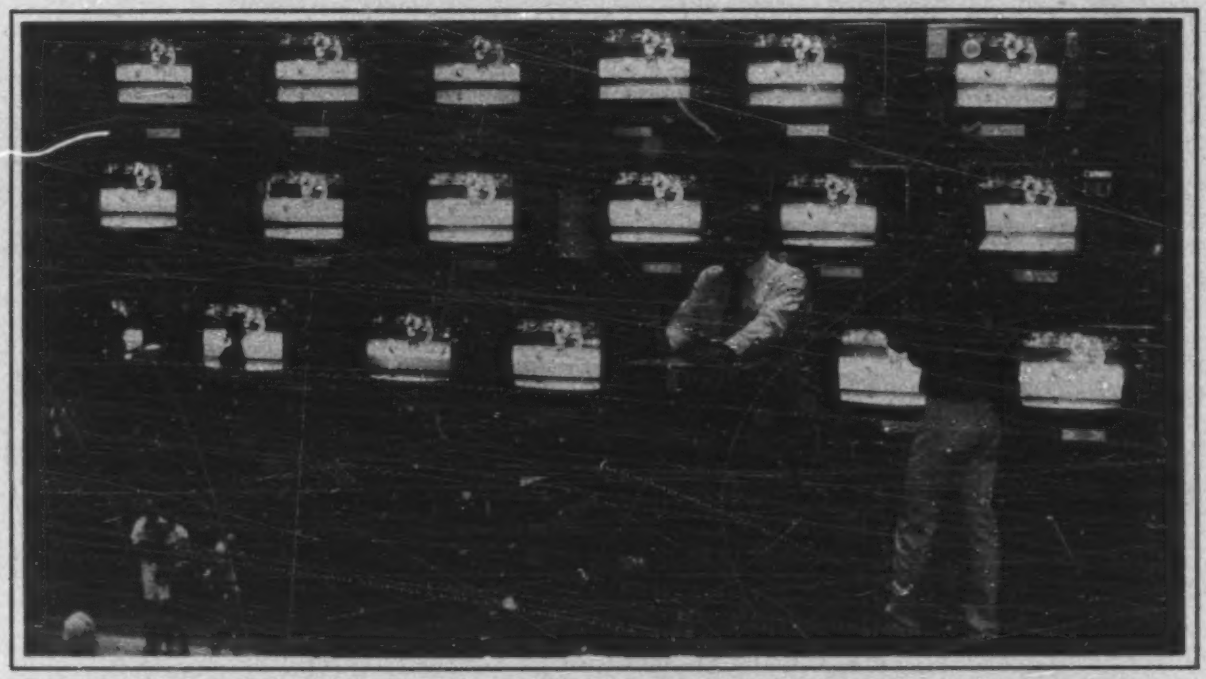
HIGHER MARGINS AND PROFITS AHEAD FOR

TELEVISION

Living rooms are evolving into family home entertainment centers, and customers are looking for big, feature-packed televisions. Stereo and consoles are hot.



***The advent of stereo is bringing** a renaissance to consoles and holds the potential for restoring margins.*

It is one of the most astounding success stories in the history of marketing. Only two years after the first stereo television broadcast, 46.6% of households in the latest *Chain Store Age* MarkeTrends survey say that their next color television will be stereo.

The potential impact of stereo television goes far beyond the technical and marketing prowess that brought dual channel TV into being. Customers who plan on buying a stereo television expect to purchase sets with larger screens—more consoles—and expect to pay considerably more.

According to the exclusive *Chain Store Age* study, the advent of stereo is bringing a renaissance to consoles and holds the potential for restoring retail margins above the paltry 19%-20% industry average.

About 2 in 5 customers (38%) in the *CSA* MarkeTrends poll who say they want a stereo television report that they expect to buy a console set. This compares to 29.3% of all color television customers who say they want consoles.

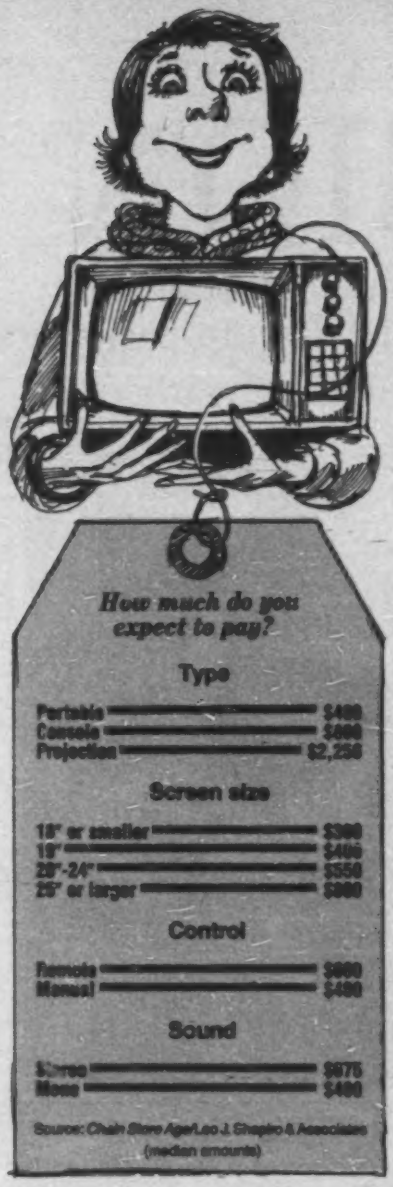
More importantly, those who intend to buy a stereo TV expect to pay a median $675 for their new set, compared to the $400 mono television customers expect to pay (see chart). A surprising 28.5% of stereo television prospects say that they will spend $1,000 or more, while only 4% of mono TV customers think they will spend that much.

Nor is stereo the only feature customers are willing to pay for as they plan on moving up to feature-packed televisions. Households contemplating the purchase of a TV with remote control expect to pay a median $600, compared to the $400 manual control buyers think they will pay.

Screen size, of course, also affects price expectations. For sets with screens 18-in. or smaller, the median price customers say they will pay is $300. For 19 in. TVs the price expectation jumps to $400, further rising to $550 for 20 to 24-in. sets and $800 for 25 in. or larger TVs.

Price expectations also correlate with whether customers plan on buying portables, consoles or projection television. On the average, those in the *CSA* MarkeTrends survey say that they will pay $400 for their next portable, $800 for a console and $2,250 for a projection television.

By far, the study shows that tele-



vision watching is still a family activity and that increasingly families are turning their living rooms into home entertainment centers. Almost half (45%) of all new televisions are destined for the living room, according to the poll. The second most popular room for TV viewing is the family room or den (27.5%), with an additional 18.5% of sets earmarked for the bedroom.

As living rooms evolve into family-mini theaters, so too are the televisions customers expect to buy evolving into big, feature-ladened models.

Fully 97.3% in the *CSA* MarkeTrends poll say that their next television purchase will be a color set. Almost 1 out of 3 in the survey (31.4%) report that their next TV will have a 25-in. screen or larger. Nearly 3 out of 5 say they will be shopping for a set with remote control. An unexpectedly large 7% expect to buy a projection television the next time around.

The study further implies that televisions are leaving the tabletop and are once again becoming pieces of furniture in their own right. With a combined 36.3% of prospective color TV customers now saying that they will buy either console or projection sets, the television industry stands at a crossroads.

As Tandy remarked in its 1985 annual report, "It will be interesting to see if video components integrate into [rack stereo] systems or if there will be a revival of the console business."

Though the vast majority (63.7%) of color televisions customers expect to buy are portables, which are best suited as audio-video components, the *CSA* MarkeTrends survey indicates that the trend is definitely toward consoles and away from a-v systems.

Almost all (97.5%) consoles are destined for either the living room or family room, where a-v systems are most likely to be located. However, 36.4% of portables will go into bedrooms, kitchens, basements and guest rooms, where a-v systems are inappropriate.

In fact, the survey clearly shows that in absolute numbers, the majority (50.5%) of living room or family room TVs in the future will be either consoles or projection models. □

VCRs and TVs: targeting both sales

At first glance, television customers look like a perfect marketing target for VCR sales, too. Yet *Chain Store Age* MarkeTrends polling reveals that only 1 in 20 households which plan to buy a TV in the next year also definitely expect to buy a VCR. Promotions aimed solely to television customers as an undifferentiated group, according to the survey, will be wasted 19 out of 20 times.

However, the *CSA* MarkeTrends survey suggests a number of marketing strategies which can separate the wheat from the chaff. Television screen size emerges as the best way to pinpoint the customer who also definitely plans on buying a video cassette recorder.

Customers who expect to buy TVs with screens measuring between 20- and 24-in. are more than twice as likely to say they also plan to purchase a VCR this year, according to the poll.

In contrast, those who will buy sets with screens smaller than 20-in. are 12% less likely than the sample as a whole to say they want to buy a VCR, too. Customers planning to purchase a TV with 25-in. or larger screens are 44% less likely to also want a video cassette recorder this year.

Though screen size is the most effective way to predict which TV customers will buy a VCR too, the *CSA* MarkeTrends survey targets other tools which can be used to identify the potential double sale.

Customers who are buying an additional household television, as opposed to a replacement, are 51% more likely to want a video cassette recorder in the next year, according to the survey. Those who want remote control on their TV are 29% more likely, and those looking for stereo televisions are 20% better prospects for a VCR sale.

Surprisingly, customers who plan to buy projection televisions are poor prospects for a VCR sale this year, perhaps because they were early owners. According to the *CSA* MarkeTrends survey, projection TV buyers are 44% less likely than the sample whole to say they expect to buy a video cassette recorder in the next 12 months.

Also, cable television subscribers are not as good prospects as might have been predicted. Those households which subscribe to cable are only 16% more likely than the sample as a whole to say they plan on buying a VCR this year.

Video cassette recorder sales will be harder to come by this year. The survey shows that 39.5% in the poll already own one.

SOME SURPRISES SEEM TO BE COOKING IN

MICROWAVES

With many extra features available to the potential microwave shopper, reports indicate many consumers know exactly what they are looking for.

Consumers see the microwave as a device for applying quick heat to food.

Convection coils and fashion colors will not entice many consumers to buy a microwave oven. And programming controls are not likely to push many shoppers' buttons.

Those are among the findings of a detailed *Chain Store Age* MarkeTrends study of microwave oven buying intentions.

Among the results:

- Most consumers view the microwave as a device for applying quick heat to food, not as a major piece of cooking equipment. Yet that does not necessarily mean they want "stripped" or downsized models.
- Consumers who now own microwaves have no great expectations for their next oven's uses. Yet most want it to be big and expensive. First-time purchasers will settle for less.

Of the households polled, 44% do not currently own the product. Seven out of 10 of the microwave-less households said they definitely will not buy an oven in the next 12 months. Another 9.6% said they probably will not.

That still leaves almost one-fifth of the nonowners looking forward to a purchase. Demographically, these potential customers resemble actual microwave owners.

Given the similarities, it is probable that shoppers will be converted to purchasers. Meanwhile, current microwave owners represent a "presold" group who may re-enter the market.

Food reheating will be the No. 1 duty for ovens bought by both first-time and repeat purchasers. Nearly 47% of the group planning an initial market entrance named reheating as the principal use.

Reheating scored even more points with the current owners. Nearly 63% place reheating at the top of their next oven's assignment list.

Cooking was a distant runner-up, named as a main use by 36.5% of the novice shoppers and roughly the same portion (38%) of current owners.

By cooking, most consumers mean baking rather than broiling. Nearly 45% of the first-time-around group said they would bake in the microwave "occasionally." Results were almost exactly the same for current owners. Slightly more than 1 out of 5 households in both groups said they would bake "often."

By comparison, only about 29% of the combined respondents plan to broil occasionally, and 18.5% intend to broil often.

Current owners were the most negative about broiling. More than 52% said that if they were to buy another microwave, it would never be used to broil.

The browning feature—touted by vendors in their step-up models—wins a larger following. Slightly more than one-quarter of households planning to purchase a microwave in the coming year intend to brown food often. Nearly half think they will brown occasionally.

But those who now own microwaves are less interested in browning. Nearly 47% said browning would never be done in their oven.

Only microwave/convection duos can do browning, broiling and toasting. Sharp estimates that these upscale models compose only 7% of the industry at present. But the company believes that the high-end will expand.

That seems possible. Novice shoppers are unlikely to realize that the run-of-the-mill microwave cannot broil. Actual owners can be assumed to have more savvy—and some did show some interest in coils. About 18% said they would brown or broil often.

Overall, expectations of the device's use are modest. Thus, the low end of the price spectrum would be expected to draw the most votes. Instead, price expectations vary

widely.

A high concentration of potential microwave owners (23%) expect to buy an economy model priced between $200 and $249.99. A scant 3% plan to pay under $200 though downsized $99 models are widely available.

Almost 1 out of 5 novice shoppers expect the cost to fall between $400 and $499, with 16% ready to top $500.

Second-time purchasers are more likely to know prices. But only 16% expect to take home their next oven for under $300.

More than half of the current owners plan to pay more than $400 for their next oven, with 1 out of 4 poised for $500-plus.

Programmability can add heft to pricetags. But the feature interests few current or prospective owners—including those anticipating pricey purchases. Of those expecting a $400-$499 tab, nearly 40% are "not at all" interested in programming.

The disinterest is even more pronounced among households expecting to pay $500 and up.

A desire for size rather than features seems to be propelling second-time shoppers up the scale. Analysts say compact models account for 40% of the $3 billion microwave oven industry. First-timers are likely to continue that trend.

Exactly 45% of the newcomers plan to buy an oven smaller than full-size, with the expectation strongest among the lowest spenders.

Second-timers are keener on full-size. Only 39% want anything smaller. The majority prefer countertop models, but 15% want an under-the-cabinet oven. Even more, 18%, would like a built-in.

Color is not likely to sway choices, except for consumers spending over $500.

The results suggest that downsized, limited-capability microwaves will continue to lure households that plan an initial plunge into the market. Novices expect to spend more than they have to for the compacts. Once in the stores, they will get a quick lesson in prices.

The repeat purchasers will affect the industry more gradually. Their expectations of use are small, yet their willingness to spend seems large. Full-size ovens that offer accuracy in the basic functions are likely to win favor. □

From the microwave to the table

Nearly 3 out of 4 microwave-owning households have purchased cookware especially for the microwave, and 45% of them consider their collection incomplete.

Most consumers who want microwave cookware prefer it to be freezable and stackable. Approximately 60% rate both these features as very important. About 46% have a strong preference for cookware with lids.

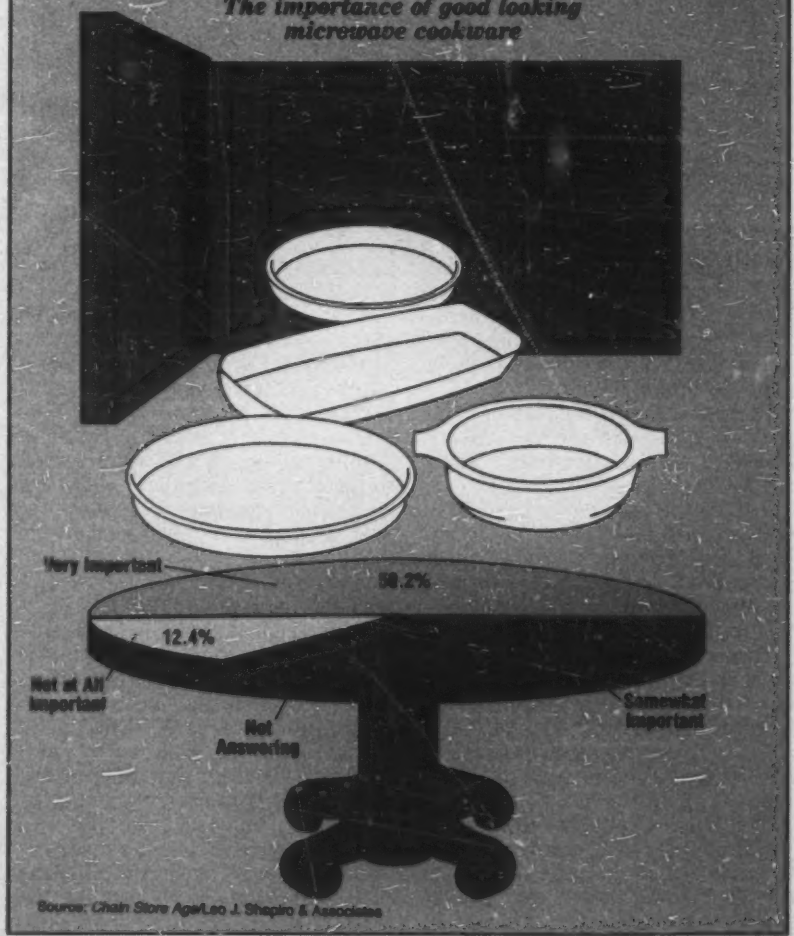
Many households want microwave cookware to look good enough to be brought to the table, even when guests are present. Fully half rated this factor as "very important," with the current microwave owners weighing it more heavily than prospective ones.

Reusable cookware was preferred to disposables nearly 9 to 1. Asked about traditional materials that go into both microwave and convection ovens, consumers gave high marks to Corningware. Two out of five households said it would be their material of choice for microwave cookware.

Disposables could become strong, but their market is irresolute. *Chain Store Age* MarkeTrends survey respondents were asked whether they plan to buy disposables in the next 12 months, as microwave cookware supplements.

Only 13% said they "definitely" would, but 29% said, "maybe." Half would "definitely not." Those looking for pricey ovens were most negative. □

The importance of good looking microwave cookware



Source: *Chain Store Age*/Leo J. Shapiro & Associates

FORMAL DINING REQUIRES A CHANGE OF

TABLECLOTH

Consumers are eager to set a nice table. Most want an everyday cloth but interest in lace is high. Placemats and oversized napkins also spur buying intentions.

Past *Chain Store Age*/Marke-Trends research has detected growing signs of life in table linens. The pulse is strong. A recent in-depth survey found 1 in 4 households planning a tablecloth purchase in the next 12 months.

Slightly more than half the consumers with buying intentions want a tablecloth for everyday use. Formals are the choice of nearly 38%. About 9% want a cloth that can switch-hit for ordinary or dressy occassions.

Vinyl shows some strength, though it is far outstripped by a preference for cloth. Nearly 19% of the buying-intentions group plan to purchase a vinyl product. That leaves 8 out of 10 households looking for cloth.

Of those shopping for cloth, 42% want a blend of natural and synthetic fibers, while 37% prefer an all-natural fabric. Only about 13% would choose an all-synthetic.

While the majority prefer solid colors, prints made a significant showing. At one time consumers steered clear of patterned tablecloths, fearing they would clash with the plates.

Those days seem to be over. About 1 in 3 households think they will buy a print tablecloth. That level of interest may have been fueled by the trend toward layering solids and prints.

Lace exercises a strong allure, attracting almost all who are in the market for a formal cloth. Of consumers planning a tablecloth purchase in the coming year, 31% want a cloth with lace. That is only 7% shy of the total who are shopping for formals.

Only a slim segment seems receptive to other types of formals, such as damasks and embroidered cloths. But at least one department store merchandiser finds that imported Chinese embroidered cloths outsell lace, mainly because of their low price points. That retailer feels that sales of Chinese imports have peaked. But at his store crocheted and cutwork styles do better than lace.

***One out of four households** plan a tablecloth purchase in the coming year.*

However, that merchandiser concedes that other chains have scored hits with Quaker Lace. Consumers do seem to want some form of openwork in their formal cloths, since they are intent on buying liners.

More than 2 out of 5 households have bought special-design items for holidays in the past. Those who have not described themselves as resistant. A scant 13% said they might buy a holiday cloth if they saw it.

But with so many consumers reporting past purchases, it seems likely that more will follow suit. It may take an actual holiday shopping season to trigger the action.

Place mats purchases are planned by 23% of the respondents. That portion of consumers said they would buy mats in the next 12 months. And they have very definite ideas of what the items will look like.

Three out of five households with buying intentions plan to buy mats in solid colors, while 35% will shop for prints. A significant number termed this question inapplicable, indicating they may want mirrored or novelty mats.

Quilting led the list of preferred textures, chosen by nearly 1 in 3 potential purchasers. Wovens and vinyls followed closely. Each was the choice of roughly one-quarter of the buying-intentions group.

Straw placemats did poorly, garnering only 9% of the votes. One re-

tailer attributes straw's decline to the questionable quality of low-end imports.

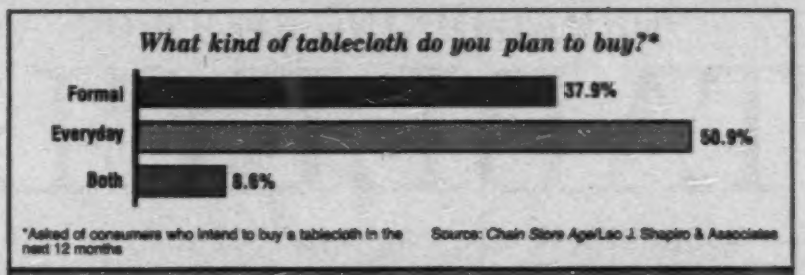
Nearly one-third of the respondents expect to spend between $10 and $14.99 for a set of four placemats, while 1 out of 5 anticipate the $15-$24.99 range.

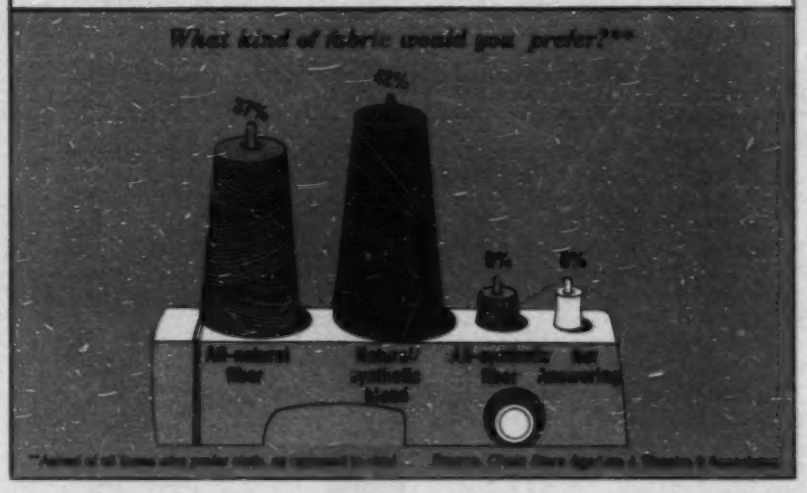
Cloth napkins are on the coming year's shopping list for 18% of the respondents. Not bad for a product that is hardly a necessity. Interest was keenest among households earning $30,000-plus.

Oversized cloth napkins are clearly gaining popularity. While the majority of consumers prefer regular size, 30% intend to buy extra large napkins.

That opens the door for slightly higher price points. On average, consumers shopping for regular-sized napkins expect to pay $13.40 for a set of four. Make that $18.20 for the average oversized set.

Napkin rings and table pads fail to capture the interest of most consumers. For both products, the portion of households planning a purchase hovers around 7%. □


What kind of tablecloth do you plan to buy?*
Formal
37.9%
Everyday
50.9%
Both
8.6%
*Asked of consumers who intend to buy a tablecloth in the next 12 months
Source: Chain Store Age/Leo J. Shapiro & Associates



Spring Industries Inc., under the Springmaid brand, introduces its innovative Comfort Sheet. The Comfort Sheet is a luxurious and convenient cross between a percale fitted sheet and a quilted mattress pad. Manufactured in five solid colors, the Comfort Sheet coordinates with Springmaid flat sheets and pillow cases. *(Springs Industries Inc., 104 W. 40th St., New York, N.Y. 10018.)*

Owen introduces new crib coordinates called "Parfait Brite." The top fabric is 50% polyester/50% cotton with a nylon tricot back. The filling is 100% bonded polyester. Available are: printed crib blanket, printed receiving blanket, bumper pad, fitted crib sheet, zip quilt, comforter and blanket quilt. Prices range from $2.85 to $4.95. *(Freitag Manufacturing Company, 112 W. 34th St., New York, N.Y. 10120.)*

Reinbears, Winter Sampler and Little Bears Christmas Village are three new towel patterns designed by GEAR for Springmaid. Each carries a holiday theme, featuring novel GEAR animals in cheerful, primary colors. Offered in bath, hand and washcloth sizes, the designs are printed on 100% cotton terry, and will be displayed in gift sets containing one towel in each size. *(Springs Industries Inc., 104 W. 40 St., New York, N.Y. 10018.)*

The OraCare Corporation has introduced the Baseball Bat Toothbrush, a perfect scale model of a regulation baseball bat. The product will be available in 27 versions representing each team in the major leagues as well as one representing the Louisville Slugger baseball bat. *(OraCare Corporation, 14055 Cedar Road, Cleveland, Ohio 44118.)*

Franzus Company Inc., introduces the addition of Wrinkles Away Steam and Dry Iron with detachable handle. The unit features a removable handle that fits over iron base for easy packing, a nonstick coated sole plate and thermostatically controlled heat settings that work on all fabrics. Suggested retail: $26.95. *(Franzus Company Inc., 352 Park Ave. S., New York, N.Y. 10010.)*

Canon U.S.A. introduced a conveniently sized and affordable desktop G3 facsimile, the FaxPhone 10. No larger than a multifunction telephone, the FaxPhone 10 combines facsimile capability with an auto-dialing telephone, setting a new standard for communications convenience. *(Canon U.S.A Inc., One Canon Plaza, Lake Success, N.Y. 11042.)*

Ambassador Cards is adding new trendy buttons to its sticker displays. Extensive testing has shown that the buttons increase sticker display productivity by attracting new teen shoppers and boosting sales among preteens—the traditional sticker customers. The 24 new trendy buttons will be priced at 98¢ each. *(Ambassador Cards, P.O. Box 580, Kansas City, Mo. 64141.)*

Four popular Disney films—*Moon Pilot, Unidentified Flying Oddball, Lt. Robin Crusoe, U.S.N. and One of Our Dinosaurs Is Missing*—will be available from Walt Disney Home Video in July. Two are fantasy favorites, the third is a modern-day version of literature's most famous castaway, and the fourth is a madcap comedy caper starring two perennial Oscar-winning actors. Suggested retail price: $69.95 each. *(Walt Disney Telecommunications and Non-Theatrical Company, 500 South Buena Vista St., Burbank, Calif. 91521.)*

Cost cutting brings higher earnings

Consumer spending was sluggish in the first quarter, but cost reductions, more balanced inventories and, in some cases, a better mix of sales, combined to boost earnings 24.9% for the 26 retail companies tracked by *Chain Store Age*.

K mart parlayed a 4.6% rise in sales into a 56.6% earnings gain over last year's weak first quarter performance. Selling, general and administrative expenses increased 3.3%, benefiting from a cutback in interest expense and a cost containment program which has reduced the number of hours worked at each store.

Though the giant discounter posted comparable-store sales gaining only 2.6% in the quarter, apparel volume is reported up 6%-7%. K mart credits the success of its Jaclyn Smith apparel line for part of the boost. Also contributing to the discounter's higher margins in this year's quarter was better inventory control, which avoided last year's round of heavy markdowns.

For the nation's largest retailer, the first quarter brought a virtual earnings collapse. Earnings for the U.S. Merchandising Group evaporated, as last year's $22.7 million profit turned into an $8.3 million loss in 1986.

J. C. Penney, however, continued on the upswing, posting a 26% earnings gain. Ailing Montgomery Ward recorded a $2 million profit, compared to a $2 million loss in the same quarter a year ago.

Among the department stores, Carter Hawley Hale reported net earnings for the quarter up 26% on a sales volume increase of only 2%. The Los Angeles-based retailer attributed the growth to a higher proportion of private label apparel sales, tighter inventories and a reduction in expenses as a per cent of sales.

Associated Dry Goods recorded a 41.9% decrease in earnings for the quarter, citing poor performances by both its J. W. Robinson's department store division and its Caldor discount stores.

Excluding income from divested Macy's Midwest assets, R. H. Macy reported a 19.5% quarterly profits gain, rising from $31.9 million in 1985 to $38.1 million this year. Sales for the New York-based retailer increased 5.3% in the quarter, from $954 million last year to $1 billion in 1986.

Toys "R" Us recorded a 15.1% drop in earnings for the first quarter, but characterized the importance of the decline as negligible in its highly seasonal business.

Child World reported a $2.6 million loss in the quarter that it attributed, in part, to a slowdown in sales of Cabbage Patch dolls.

The Gap reported profits of $10.2 million for the first quarter, compared to a $1.1 million loss for the same period a year ago. The company cited strong sales for both Banana Republic and The Gap.

First quarter profits up despite sluggish sales

Chain	1985 (000 omitted)	1986 (000 omitted)	% change
Sears[1]	22,700	(8,300)	N.M.
Penney	50,000	63,000	+ 26.0
Ward	(2,000)	2,000	N.M.
Subtotal	**70,700**	**56,700**	**– 19.8**
K mart	58,500	91,600	+ 56.6
Ames	4,740	5,785	+ 22.0
Jamesway	969	866	– 10.6
Rose's	3,756	6,515	+ 73.5
Wal-Mart	51,690	73,391	+ 42.0
Woolworth	6,000	13,000	+116.7
Zayre	15,192	16,696	+ 9.9
Subtotal	**140,847**	**207,853**	**+ 47.6**
Allied	17,217	20,682	+ 20.1
Associated Dry Goods	9,380	5,446	– 41.9
Carter Hawley Hale	11,565	14,570	+ 26.0
Dayton Hudson	33,451	38,632	+ 15.5
Federated[3]	36,947	47,349	+ 28.2
May Co.	33,500	40,500	+ 20.9
Mercantile	17,596	21,557	+ 22.5
Subtotal	**159,656**	**188,736**	**+ 18.2**
Child World	(1,560)	(2,623)	N.M.
Oshman's	(640)	(1,911)	N.M.
Toys "R" Us	12,179	10,340	– 15.1
Subtotal	**9,979**	**5,806**	**– 41.8**
The Gap[2]	(1,117)	10,224	N.M.
The Limited	21,346	31,402	+ 47.1
Edison Bros.[2]	1,900	4,700	+147.4
Subtotal	**22,129**	**46,326**	**+109.4**
Syms	1,906	1,526	– 19.9
Clothes Time	1,367	1,800	+ 31.7
Ross	(4,312)	(6,297)	N.M.
Subtotal	**(1,039)**	**(2,971)**	**N.M.**
Total	**402,272**	**502,450**	**+ 24.9**

[1]U.S. merchandising only. [2]Continuing operations only.
[3]Excluding unusual items.
N.M. = Not meaningful. ( ) indicates loss
Source: *Chain Store Age* research

Dayton Hudson targets Michigan

Still another major retail company is targeting Michigan for expansion opportunities. Dayton Hudson has announced plans to open as many as 40 Target discount stores in Michigan.

Twenty-five units are on the boards for the next five years, according to the company, with six stores to debut in late 1987. Target's first Michigan outlets will be located in the cities of Dearborn, Detroit, Madison Heights, Taylor, Westland and Shelby Township.

By entering the Michigan market, Target will be challenging K mart on the Troy, Mich.-based discounter's home turf. The Target rollout joins Dayton Hudson's previously announced plans to expand Mervyn's, its promotionally priced soft lines and housewares chain, into the Michigan market.

Federated Department Stores' MainStreet division has also picked Michigan for expansion opportunities.

Falling oil prices fail to pump sales

Despite a cash windfall from both lower gasoline prices and home mortgage refinancings, consumers continue to spend cautiously. The 17 retail companies tracked by *Chain Store Age* reported sales for May up a modest 10.2%. In the first four months of the current fiscal year, volume is ahead 8.8% from 1985.

For the short term, consumers continue to look more willing to reduce their debt levels—or to save—than they are to spend. Real disposable income gained at an annual clip of 5.9% in the first quarter, but real personal consumption expenditures recorded a smaller 4.2% uptick.

Though most industry watchers expect more robust sales in the year's second half, none is predicting a boom. Dayton Hudson chairman/ceo Kenneth A. Macke predicts 7% same-store gains, while Woolworth chairman/ceo John W. Lynn sees a smaller 5% rise.

The nation's biggest retailer, meanwhile, saw little to quibble with in the May sales results. Sears U.S. Merchandising Group volume jumped ahead 3.9% over the same month a year ago. The gain was the giant retailer's best monthly comparison since December 1984, when it posted a 4.7% increase.

Strong sales for apparel and home store merchandise—both weak areas earlier this year—were responsible for the rise, according to Sears. The gains in apparel should be particularly gratifying for the retailer, since it seems to confirm the wisdom of restoring opening price points into its apparel line structure.

Crosstown rival Montgomery Ward also pulled out of the doldrums in May, posting a 10% sales increase. J. C. Penney recorded an 8.1% hike in same-store results and an 8.4% overall increase.

Among the discount stores, Wal-Mart continued to defy the high unemployment figures which plague its biggest markets. The Bentonville, Ark.-based discounter recorded a 17% jump in comparable store results and a 45.6% gain overall.

Not that Wal-Mart was alone, as Stop & Shop division Bradlees turned in an 11% same-store hike for the month. K mart, the nation's second largest retailer, outpaced its year-to-date totals, and recorded a 4.9% sales increase.

Associated Dry Goods' discount division, however, continues to lag behind its department store business. For the month of May, ADG department stores recorded an 8.3% increase, while its discount stores turned in a more modest 6.8% gain. For the now four-month-old fiscal year, ADG department store sales are 7.9% ahead of 1985. Discount division volume is up 4.6%.

Department st res, after sluggish first quarter . ales, could find some hope in the May results. Los Angeles-based Carter Hawley Hale reported volume up 5.2% for the month. Mercantile sales gained 7.3%, with a 6.7% hike in same-store results. May Department Stores led the pack, though, recording an 11.3% jump in May and an 11.1% increase for the four months.

For the electronics specialists, however, the month brought only news of continued sluggishness. Richmond, Va.-based superstore operator Circuit City managed to record a 5% same-store gain, but even that was below its three-month 6% comparable store performance.

May sales up 10.2%, but no boom ahead

		May sales*		Stores		4-mo. sales*		
Major chains	% change	1986	1985	1986	1985	1986	1985	% change
Sears[1,2]	+ 3.9	$1,983,700	$1,909,800	799	797	$7,683,100	$7,624,400	+ 0.8
Penney[2]	+ 8.4	937,000	864,000	1,899	1,992	3,712,000	3,453,000	+ 7.5
Ward[1,3]	+ 0.8	324,300	321,500	292	364	1,175,000	1,202,200	− 2.3
Dayton Hudson	+ 9.0	655,300	601,200	1,214	1,145	2,610,000	2,370,000	+10.2
Federated[4]	+ 3.8	599,400	577,400	486	468	2,438,200	2,330,200	+ 4.6
May Dept. Stores	+11.3	396,200	356,100	2,158	1,926	1,580,400	1,422,400	+11.1
Associated Dry Goods	+ 7.7	354,500	329,200	355	340	1,327,000	1,244,000	+ 6.6
Allied Stores	+ 7.9	337,200	312,600	674	616	1,284,000	1,193,000	+ 7.6
Carter Hawley Hale	+ 5.2	272,800	259,200	299	281	1,140,000	1,100,000	+ 3.6
Mercantile	+ 7.3	144,836	135,031	80	79	575,619	532,769	+ 8.0
K mart[5]	+ 4.9	1,821,500	1,737,000	2,183	2,172	6,829,900	6,555,000	+ 4.2
Wal-Mart	+45.6	952,000	654,000	924	776	3,296,000	2,309,000	+42.7
Zayre	+32.5	373,800	282,200	1,011	883	1,467,000	1,114,400	+31.6
Bradlees	+28.3	136,000	106,000	156	136	507,000	388,000	+30.7
Tandy	+11.9	245,108	219,074	N/A	N/A	994,457	878,669	+13.2
Circuit City	+35.8	66,700	48,900	75	96	219,800	162,600	+35.2
Federated Group	+19.8	30,200	25,200	60	47	117,900	94,100	+25.3
Totals & Averages	+10.2	$9,630,544	$8,738,405	—	—	$36,957,376	$33,973,738	+ 8.8

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Continuing operations only. [4]Excludes supermarket sales. [5]Store number for K mart stores only

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